



# Cook Inlet Energy

February 7, 2013

Mr. Bill Barron  
Alaska Department of Natural Resources  
Division of Oil and Gas  
550 W 7th Avenue, Suite 800  
Anchorage, Alaska 99501

**Re: Plan of Operations for Kroto Creek Site Development – ADL 390078**

Dear Director Barron:

Cook Inlet Energy, LLC (“CIE”) plans create a groomed winter trail and drilling pad in preparation for exploration drilling activities on an identified structure CIE has named the Kroto Creek Prospect, which is located in Susitna Basin Oil & Gas Exploration License #2 – ADL 390078.

The Kroto Creek Pad will be located in Sec. 31, T. 21 N., R. 6 W., S.M., approximately 12 miles northwest of Willow Creek Landing. Access to the project area will be from Willow Creek Landing, then across the Susitna River via an ice bridge to a groomed winter trail being constructed as a multiple use trail providing access from Willow Creek Landing to the Yentna River. The ice bridge and trail are permitted under LAS 28817.

The trail will be a groomed winter-only snow road. The pad will be located in uplands and measure approximately 400’ by 400’. A water well will be drilled and a conductor driven on the pad site.

To meet its schedule, CIE must proceed with access and pad preparation during March 2013 before the melting of the Susitna River prevents surface access to the area.

Please contact me at 433-3805 or [jr.wilcox@cookinlet.net](mailto:jr.wilcox@cookinlet.net) with any questions.

Sincerely,

JR Wilcox  
President  
Cook Inlet Energy, LLC

**RECEIVED**

**FEB 07 2013**

**DIVISION OF  
OIL AND GAS**

STATE OF ALASKA  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL AND GAS

LEASE / UNIT\* PLAN OF OPERATIONS APPLICATION

Applicant: Cook Inlet Energy, LLC Date: 02/07/2013  
Contact Person: JR Wilcox Telephone #: (907) 433-3805 Fax # (907) 334-6735  
Mailing Address: 601 W. 5th Ave., Suite 310, Anchorage, AK 99501 E-mail Address: jr.wilcox@cookinlet.net  
Is this activity within a Unit? No Unit name: N/A Operator: N/A

Is any part of the proposed project or activity discussed in the approved Unit Plan of Exploration or Development filed with the Division of Oil and Gas? ☐ Yes ☒ No

If no, attach a detailed explanation.

The Applicant is: ☐ Unit Operator ☐ Lessee\* ☐ Tract Operator ☒ Other\*: Exploration Licensee

Project Description: A groomed snow trail and compacted earth pad, water, well, and conductor for the potential drilling of up to two gas exploration wells, which CIE has named the "Kroto Creek Prospect."

Project Location / Facility Name: Approx. 12 mi NW of Willow Station-Kroto Creek Access Trail and Pad

ADL # (mandatory): 390078 Oil and Gas Bond #: DNR (CD61212852 and AOGCC Statewide Bond)

Plan of Operations require a \$250.00 permit fee; payable to the State of Alaska, Department of Revenue; and *should* accompany this application.

1. Plan of Operations: See attached Plan of Operations narrative

*(Attach extra sheets if necessary, include applicable diagrams and drawings)*

2. Surface Property Owner: State of Alaska

3. Legal Description: Section 17, Township 20N, Range 6W, Meridian S.M.  
Section 31, Township 21N, Range 6W, Meridian S.M.

Decimal Degrees, NAD 83 Latitude 61.865189 Longitude 150.45013

*(Include all necessary maps and use <http://transition.fcc.gov/mb/audio/bickel/DDDMSS-decimal.html>)*

4. Site Access: existing road system to Willow Station, then previously permitted groomed snow trail (LAS 28817) to spur trail

5. Proposed Start-up Date: 03/15/2013 6. Expected Completion Date: 03/31/2015

7. Project Material: existing snow and dirt 8. Material Source: N/A

a) Amount: (pad) \_\_\_\_\_ cy (road) \_\_\_\_\_ cy (other) \_\_\_\_\_ cy

b) Acreage Covered: (pad) \_\_\_\_\_ (road) \_\_\_\_\_ (other) \_\_\_\_\_

9. Snow Removal Plan: snow will be groomed on trail and plowed/removed from pad

\* Unit Plan of Operations approvals are not considered complete until the consent of the Unit Operator has been obtained by the applicant.

10. Will Any Off-road (tundra or ice) Travel be Required? yes, see attached narrative for details

a) Period of Off-road Travel: 3/15-4/15/2013, 11/15/2013-4/15/2014

b) Equipment to be Utilized: see attached narrative for details

11. Will a Temporary Water Use Permit be Required? yes, see attached permit application

a) Purpose: soil compaction

b) Sources: drilled water well

c) Access: on pad d) Max. Anticipated Withdrawal: 1,000 gpd

12. Will Fuel or Any Other Hazardous Substances be Stored on Site? no

a) Type: N/A

b) Volume: N/A

c) Handling Technique: N/A

d) Access: N/A

e) Duration of Storage: N/A

13. If a Pipeline is Being Constructed, will the line be a:

☐ Common Carrier Pipeline ☐ Field Gathering Line ☒ Other: N/A

a) Location / Route: \_\_\_\_\_

b) Number, Diameter and Length: \_\_\_\_\_

c) Type and Use: \_\_\_\_\_

d) Construction Access: \_\_\_\_\_

14. Plan for Rehabilitation: ☒ Upon Abandonment ☐ Specific: see attached plan

15. Is Any Part of this Application Confidential? no

16. How will Solid Waste be Disposed of? \_\_\_\_\_

17. What Infrastructure will be Used to Support the Project? solid waste will be stored in dumpsters on pad and transported off-site to be disposed of in existing facilities

18. Additional Comments: \_\_\_\_\_

The undersigned hereby requests that each page of this application marked **confidential** be held confidential under AS 38.05.035(a)(8).

Signature

Title

Date

**Please fill out the form, print it, and sign it.**



## LESSEE/SURFACE-OWNER INTERACTION

Statutes and regulation are explicit about how surface and subsurface owners and lessees shall interact; the subsurface estate is controlling. We have paraphrased here the relevant portions of AS 38.05.125 and AS 38.05.130 (a photocopy of the full text may be obtained by calling 269-8775):

**AS 38.05.125 Reservation.** *(a) Each contract for the sale, lease or grant of state land, and each deed . . . is subject to the following reservation:*

*". . . Alaska, hereby expressly saves . . . and reserves out of the grant . . . forever, all oils, gases, coal, ores, minerals, fissionable materials, geothermal resources, and fossils of every . . . kind . . . which may be in or upon said land . . . and the right to explore the same . . . , and it expressly saves and reserves . . . the right to enter . . . upon said land, . . . at any and all times for the purpose of opening, developing, drilling, and working mines or wells . . . and taking out and removing . . . oils [and] gases . . . and to that end it further expressly reserves . . . the right to erect, construct, maintain, and use all such buildings, machinery, roads, powerlines, and railroads, sink such shafts, drill such wells, remove such soil, and to remain on said land . . . for the foregoing purposes and to occupy as much of said land as may be necessary or convenient . . . expressly reserving to itself, its lessees, successors, and assigns, . . . all rights and powers in, to, and over said land . . . reasonably necessary or convenient to render beneficial and efficient the complete enjoyment of the property and rights hereby . . . reserved."*

That language is part of each deed awarded when the state transfers the surface estate; it retains the subsurface. The reservation includes the right to use the surface to develop the subsurface as well as to use existing facilities such as roads for the benefit of the entire state. Protection from damages is afforded surface owners at AS 38.05.130:

**AS 38.05.130 Damages and posting of bond.** *Rights may not be exercised by the state, its lessees, successors or assigns under the reservation . . . [AS 38.05.125] . . . until the state, its lessees, successors, or assigns make provisions to pay the owners of the land full payment for all damages sustained . . . by reason of entering upon the land. If the owner refuses . . . to settle the damages, the state, its lessees, successors, assigns . . . may enter upon the land in the exercise of the reserved rights after posting a surety bond determined by the director, after notice and an opportunity to be heard, to be sufficient as to form, amount, and security to secure . . . payments for damages, and may institute legal proceedings . . . to determine to damages which the owner may suffer.*

In addition, there are general stipulations in the regulations at 11 AAC 96.140 that address the conduct of operations. Most relevant here is (10):

*No person may engage in mineral exploratory activity on land, the surface of which has been granted or leased by the State of Alaska . . . until good-faith attempts have been made to agree with the surface owner . . . on settlement for damages . . . . If agreement cannot be reached, . . . operation may be commenced . . . only with specific approval of the director, and after making adequate provisions for full payment of any damages . . . .*